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FISCAL IMPACT STATEMENT

LS 6596

BILL NUMBER: HB 1277

NOTE PREPARED: Dec 31, 2011

BILL AMENDED:

SUBJECT: Indiana Nanotechnology Initiative.

FIRST AUTHOR: Rep. Dvorak

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill allows the award of grants or loans from the Indiana Twenty-First Century Research and Technology Fund to support proposals for economic development in nanotechnology. It provides a personal property tax exemption for certain nanotechnology equipment.

Effective Date: July 1, 2012.

Explanation of State Expenditures: *Twenty-First Century Research and Technology Fund:* This bill adds nanotechnology to the list of areas of investment that may receive grants or loans from the Twenty-First Century Research and Technology Fund. Currently, the fund may provide investments to companies engaged in biomedical research and biotechnology, information technology, development of alternative fuel technologies, development and production of fuel-efficient vehicles, and other high-technology industry clusters requiring high-skill, high-wage employees. The purpose of the fund is to provide financial assistance to Indiana technology-based companies so that they can transition from early-stage research to product development.

The Indiana Twenty-First Century Research and Technology Fund was created in 1999 by the General Assembly to provide financial assistance to Indiana technology-based companies so that they can transition from early-stage research to product development. During FY 2011, the Twenty-First Century Research and Technology Fund made investments in 11 Indiana companies totaling \$7.95 M through its direct awards program. These awards were matched by \$16.35 M in private capital. From 1999 to 2009, the fund made 452 awards totaling \$265 M. As of December 29, 2011, the fund had a balance of approximately \$32 M.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: This bill would provide an exemption from property taxes for nanotechnology equipment. The exemption would apply to equipment that is directly related to nanotechnology research and to equipment that is primarily used in a project, program, or business based on nanotechnology.

The exemption would be available for existing, as well as new nanotechnology equipment. The amount of assessed value to be exempted is indeterminable at this time. Regarding existing equipment, the property tax exemption would reduce the current tax base and shift property taxes to all other property in the form of an increased tax rate. The amount of the tax shift and the size of the increase in the tax rate is indeterminable at this time.

An increase in tax rates makes it likely that the property taxes of more taxpayers would rise above the applicable tax cap, resulting in an increase in circuit breaker credits. As a result, total local revenues would probably decrease. The revenue for cumulative funds would be reduced by the product of the fund rate multiplied by the deduction amount applicable to that fund.

If there is an increase in development because of this provision, any additional new property that doesn't qualify for the exemption would be placed on the tax rolls. This could help spread the property tax burden and could possibly reduce some tax rates. However, if one assumes that the investment would be made with or without the exemption, then the exemption would negate the shift of the property tax burden from all taxpayers to the owners of the new qualified property that otherwise would have occurred.

State Agencies Affected: IEDC.

Local Agencies Affected: Township and county assessors; Civil taxing units and school corporations.

Information Sources: IEDC, *21st Century Research & Technology Fund, 10th Report to the Indiana General Assembly*, FY 2010-2011; Auditor's Data.

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